

Message Text

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ACTION EUR-25

INFO OCT-01 ADP-00 AID-20 CIAE-00 COME-00 EB-11 FRB-02

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E.O. 11652 NA

TAGS: ETRD, EFIN, BE

SUBJECT: IMPLICATIONS FOR BELGIAN EXPORTS OF DOLLAR DEVALUATIONS

REF: BRUSSELS 2924

1. IN RECENT DISCUSSION ON EFFECT OF DOLLAR DEVALUATION ON U.S.-BELGIAN TRADE, ASSISTANT DIRECTOR OF BELGIAN FOREIGN TRADE OFFICE (OBCE) VERBOOMEN GAVE US HIS IMPRESSIONISTIC VIEW OF PROSPECTS FOR MAIN BELGIAN EXPORTS TO U.S.: STEEL, GLASS, DIAMONDS AND TEXTILES. VERBOOMEN CONSIDERED STEEL AND GLASS MOST WORRISOME FROM BELGIAN VIEWPOINT BECAUSE OF RELATIVELY NARROW PROFIT MARGIN AND STRONG COMPETITION BOTH IN U.S. AND FROM THIRD COUNTRIES. INDUSTRY REPRESENTATIVES HAVE TOLD OBCE THAT WHILE SIZEABLE SHARE OF STEEL AND GLASS EXPORTS IN NEAR FUTURE COVERED AGAINST EXCHANGE RISK THROUGH OUTSTANDING CONTRACTS, THEY ARE HAVING TO REDUCE BF PRICES TO COMPETE IN U.S. THIRD COUNTRY MARKETS REMAIN PROFITABLE, HOWEVER, AND WITH PRESENT HIGH DEMAND IN U.S. MARKET, THERE IS NO GREAT FEAR OF U.S. EXPORTS TO BELGIAN CUSTOMERS ABROAD.

2. DIAMOND EXPORTS ARE APPARENTLY NOT BELIEVED TO BE A PROBLEM BECAUSE OF COMMANDING BELGIAN MARKET POSITION, HIGH DEMAND AND LIMITED OFFICIAL USE

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CONSIDERABLE PRICE ELEASTICITY. TEXTILE EXPORTS TO U.S., "ALWAYS A

PROBLEM", ARE NOW SERIOUSLY ENDANGERED, ESPECIALLY CARPETS.

3. VERBOOMEN REPORTED THAT BELGIAN CAPITAL EQUIPMENT MANUFACTURERS ARE NOW MORE FEARFUL OF U.S. COMPETITION ON LARGE TURNKEY-TYPE PROJECTS IN LDC MARKETS. SURPRISINGLY, THEY EXPRESS LESS CONCERN ABOUT JAPANESE COMPETITION.

4. IN SEPARATE CONVERSATION, LOCAL BANKING OFFICIAL TOLD US THAT BEKAERT, WHICH BOTH PRODUCES STEEL WIRE IN U.S. AND EXPORTS ADDITIONAL LARGE QUANTITIES TO U.S., EXPECTS TO BE ABLE TO MAINTAIN ITS EXPORT MARKET IN U.S. BUT WILL HAVE TO ACCEPT LOWER PROFITS.
BOOCHEVER

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